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Justice
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Department of Justice
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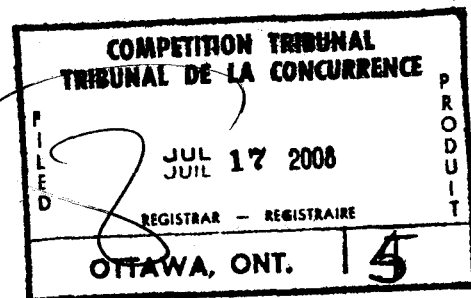
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July 17, 2008

Mr. Patrice Lavoie
Registry officer
Competition Tribunal
Thomas D'Arcy McGee Building
600 – 90 Sparks Street
Ottawa, Ontario
K1P 5B4



Dear Sir,

Subject: - The Commissioner of Competition v. Akzo Nobel N.V.
- CT-2007-010
- Application pursuant to s.106 of the Competition Act

In the matter of the parties' joint application pursuant to s.106 of the *Competition Act* to have the Tribunal vary the Consent Agreement filed on December 14, 2007, Madam Justice Simpson has asked the Commissioner of Competition the following question:

Why does the Commissioner of Competition believe that Akzo Nobel's divestiture of the Para Assets without the Etobicoke production facility located in Toronto, Ontario, addresses her concerns about the substantial lessening or prevention of competition in the wholesale supply of Decorative Coatings in Quebec?

The Commissioner's answer to this question is as follows.

General Paint, the purchaser of the divested assets, is one of western Canada's largest decorative coatings manufacturers. It has manufacturing and retail operations in both western and central Canada. General Paint offers a full line of

decorative coatings under such brand names as General Paint, Ideal Paint, Breeze Acrylic Latex, Fresh Tex, Duckback and Ceiling Renu. General Paint has represented to the Commissioner that the Para and Crown Diamond brands that it acquired from Akzo Nobel will serve in its strategy to build its presence in the decorative coatings market in central and eastern Canada, including in Quebec.

General Paint currently operates manufacturing facilities in British Columbia and Ontario. With respect to the latter facility, General Paint recently built a decorative coatings manufacturing facility in Toronto, Ontario. General Paint has demonstrated to the Commissioner that it has sufficient capacity in this facility to produce the quantities of Para and Crown Diamond products that currently are being shipped to Quebec (and elsewhere), and that it also has the ability to expand production in the future.

Further, alkyd products for the Para and Crown Diamond brands would be manufactured by General Paint's B.C. plant and shipped into Central Canada. It is cost-effective to ship alkyd paint across Canada. General Paint currently manufactures alkyd paint in B.C. for its own sales of alkyd products in Ontario.

Given that General Paint already has a manufacturing facility in Toronto with sufficient capacity, General Paint has asked, and the Commissioner agreed, that the Etobicoke production facility be excluded of the Para Assets to be divested. The Commissioner is satisfied that General Paint has enough current production capacity to ensure that the Para and the Crown Diamond brands will continue to compete in the wholesale supply of Decorative Coatings in Quebec. The objectives sought through the original Consent Agreement can be achieved without the sale of the Etobicoke production facility.

Also, considering that the present application is made jointly by the parties to the Consent Agreement, it is understood that such application is more specifically made pursuant to paragraph 106(1)(b) of the *Competition Act*.

Lastly, we wish to inform the Tribunal that this letter has been discussed with counsel to Akzo Nobel N.V. and they have informed us that they agree with its contents.

Yours very truly,



Stéphane Lilkeff
Counsel to the Commissioner

c.c. Calvin S. Goldman, Q.C. – counsel to Akzo Nobel N.V.
Jason Gudofsky – counsel to Akzo Nobel N.V.
Huy A. Do – counsel to General Paint